

Italy – Digital

Strong momentum, remarkable upside potential

25<sup>th</sup> March 2021

FY-20 RESULTS RELEASE

RIC: DIGT.MI  
BBG: DIG IM

2020 exciting results confirm the group's favourable positioning to grab the huge market opportunities, leveraging its proprietary B2B network dedicated to digital and innovation, the largest in Italy.

Rating:

**Buy**

Price Target:

**€ 4.00 (€ 3.10)**

Upside/(Downside): 66.7%

Last Price: € 2.40

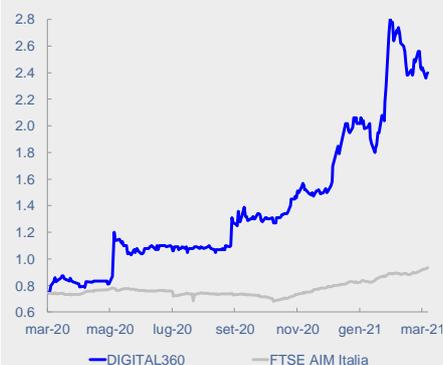
Market Cap.: € 41.8m

1Y High/Low: € 2.94/€ 0.74

Free Float: 25.8%

Major shareholders:

Andrea Rangone	23.8%
Mariano Corso	11.8%
Alessandro Giuseppe Perego	11.6%



Stock price performance

	1M	3M	12M
<b>Absolute</b>	-12.4%	41.2%	224.3%
<b>Rel.to AIM Italia</b>	0.4%	-4.0%	191.7%
<b>Rel.to peers</b>	-11.3%	35.8%	41.0%

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**New PT of € 4.00 offers huge upside, without considering M&A appeal**

DIGITAL360 released vibrant FY-20 results, whose preliminary data was announced on 12<sup>th</sup> February 2021. The pandemic boosted the digital transformation process of Italian companies and public administrations, increasing the demand for digital events, remote selling, smart working, distance learning and e-commerce. In this scenario, DIGITAL360 was able to leverage its competitive positioning, being unquestionably well positioned to benefit from the strong business momentum. Network 360 represents the largest domestic grid of newspapers and B2B portals dedicated to digital transformation and innovation for managers, professionals, policy makers, politicians, tech companies, and start-ups. CFO SIM has left its model unchanged, updated its valuation criteria and postponed our first valuation projection by one year. New PT is at € 4.00/s (€ 3.10). We reiterate our Buy rating on the stock, 66.7% upside.

**Top line exceeded € 26.0m, entirely organically**

Total sales grew by 4.4% YoY to € 26.3m, thanks to an acceleration in H2-20. The increase was driven by the sales of innovative, scalable and more lucrative products and services in both the Demand Generation and Advisory&Coaching business units, which more than counterbalanced the decrease in physical events. The Advisory & Coaching As-A-Service unit generated 123 subscriptions in 2020 (mainly DPOaaS) vs. 46 in 2019, corresponding to € 2.5m annual recurring revenues. In 2020, the Demand Generation unit sold 90 (64 in 2019) digital marketing & sales engines, for a total € 3.9m annual recurring sales.

**EBITDA more than doubled to € 5.1m**

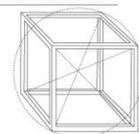
EBITDA totalled € 5.1m, vs. € 2.5m in FY-19. Profitability improvement was achieved thanks to 1) the acceleration of digital/remote services, prompting a reduction in production costs; 2) the increase in subscription services called 'Digital-As-A-Service', which generate recurring revenues. In 2019, in 'normal business conditions', the new offer of subscription services generated important achievements in terms of customer base (113 names), for a contractual value of some € 4.3m on an annual basis (annual recurrent sales). In 2020, the progression continued, reaching 213 customers (+88%) and an annual contract value of € 6.4m (+50%).

**Massive cash flow generation, solid balance-sheet: new M&A is feasible**

EBIT reached € 2.4m, from € 0.1m in 2019, slightly better than our € 2.3m projection as a result of lower D&A. EBIT adjusted for goodwill amortisation and the aforementioned one-off costs rose to € 3.2m from € 1.2m in 2019. Net Profit was € 1.1m, in line with our estimate. Net Financial Position dropped to € 1.5m from € 6.3m in FY-19, thanks to a massive CF generation of € 4.9m stemming from an efficient WC management. Free Cash Flow to EBITDA is almost 100%, despite €1.7m capex realised in 2020. The group's balance-sheet solidity allows it to consider another round of external growth opportunities.

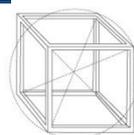
**DIGITAL360, key financials and ratios**

€ k	2019	2020	2021e	2022e	2023e
Sales	25,245	26,344	34,212	38,211	42,305
EBITDA	2,530	5,102	6,001	7,069	8,887
EBIT	81	2,518	2,866	3,930	5,878
EBIT adj.	1,215	3,193	3,620	4,684	6,632
Net profit	(821)	1,071	1,505	2,247	3,471
Net profit adj.	313	1,745	2,259	3,001	4,225
NFP (cash)/debt	6,335	1,368	616	(2,932)	(7,297)
EPS adjusted € cent	1.79	9.97	12.90	17.14	24.13
EPS adj. growth	-4.1%	457.2%	29.5%	32.8%	40.8%
DPS ord. €/s	0.00	0.00	0.00	0.00	0.00
Free Cash Flow Yield	-5.3%	26.5%	1.8%	7.8%	10.4%
PER x	49.7	9.9	18.5	13.9	9.9
PCF x	9.6	4.7	9.0	7.8	6.5
EV/Sales x	0.87	0.71	1.24	1.02	0.82
EV/EBITDA x	8.7	3.7	7.1	5.5	3.9
EV/EBIT x	18.0	5.8	11.7	8.3	5.2





Income statement (€ k)	2019	2020	2021e	2022e	2023e
Value of Production	25,245	26,344	34,212	38,211	42,305
Services	(14,220)	(12,860)	(18,406)	(20,328)	(22,210)
Personnel expenses	(8,617)	(8,299)	(9,258)	(10,203)	(10,531)
Other opex	(1,290)	(1,364)	(1,540)	(1,719)	(1,904)
EBITDA	2,530	5,102	6,001	7,069	8,887
EBITDA adj.	2,910	5,022	6,001	7,069	8,887
D&A	(2,449)	(2,584)	(3,135)	(3,139)	(3,009)
EBIT	81	2,518	2,866	3,930	5,878
EBIT adj.	1,215	3,193	3,620	4,684	6,632
Financials	(341)	(82)	(273)	(185)	(93)
Re/(Devaluation) of financial assets	0	(11)	0	0	0
Extraordinary	0	0	0	0	0
Pre-Tax profit	(260)	2,426	2,593	3,745	5,785
Income taxes	(183)	(857)	(1,037)	(1,498)	(2,314)
Minorities	(378)	(497)	(51)	0	0
Net Profit	(821)	1,071	1,505	2,247	3,471
Net Profit adj.	313	1,745	2,259	3,001	4,225
Balance sheet (€ k)	2019	2020	2021e	2022e	2023e
Net Working Capital	6,255	6,794	9,155	10,241	11,441
Net Fixed Assets	9,796	8,978	8,544	7,104	5,596
Equity Investments	134	123	123	123	123
Other M/L Term A/L	(932)	(3,424)	(4,547)	(5,211)	(5,797)
Net Invested Capital	15,254	12,471	13,275	12,257	11,363
Net Financial Position	6,335	1,368	616	(2,932)	(7,297)
Minorities	772	1,261	1,312	1,312	1,312
Group's Shareholders Equity	8,147	9,842	11,347	13,877	17,349
Financial Liabilities & Equity	15,254	12,471	13,275	12,257	11,363
Cash Flow statement (€ k)	2019	2020	2021e	2022e	2023e
Total net income	(821)	1,071	1,505	2,247	3,471
Depreciation	2,449	2,584	3,135	3,139	3,009
Other non-cash charges	770	3,153	1,174	664	586
Cash Flow from Oper. (CFO)	2,398	6,808	5,814	6,051	7,066
Change in NWC	(1,347)	(539)	(2,361)	(1,086)	(1,200)
FCF from Operations (FCFO)	1,051	6,269	3,453	4,964	5,866
Net Investments (CFI)	(1,869)	(1,464)	(2,700)	(1,700)	(1,500)
Free CF to the Firm (FCFF)	(818)	4,806	753	3,264	4,366
CF from financials (CFF)	920	(474)	0	(1,717)	(2,000)
Free Cash Flow to Equity (FCFE)	102	4,331	753	1,547	2,366
Financial ratios	2019	2020	2021e	2022e	2023e
EBITDA margin	10.0%	19.4%	17.5%	18.5%	21.0%
EBIT margin	0.3%	9.6%	8.4%	10.3%	13.9%
Net profit margin	-3.3%	4.1%	4.4%	5.9%	8.2%
Tax rate	-70.3%	35.3%	40.0%	40.0%	40.0%
Op NWC/Sales	24.8%	25.8%	26.8%	26.8%	27.0%
Interest coverage x	4.23	0.03	0.10	0.05	0.02
Net Debt/EBITDA x	2.50	0.27	0.10	(0.41)	(0.82)
Debt-to-Equity x	0.78	0.14	0.05	(0.21)	(0.42)
ROIC	-5.4%	8.6%	11.3%	18.3%	30.5%
ROCE	0.4%	13.2%	13.7%	18.2%	25.3%
ROACE	0.5%	13.6%	14.3%	18.5%	26.2%
ROE	-10.1%	10.9%	13.3%	16.2%	20.0%
Payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%
Per share figures	2019	2020	2021e	2022e	2023e
Number of shares # m	16.31	16.31	16.31	16.31	16.31
Number of shares Fully Diluted # m	17.51	17.51	17.51	17.51	17.51
Average Number of shares Fully Diluted # m	17.51	17.51	17.51	17.51	17.51
EPS stated FD € cent	(4.69)	6.12	8.60	12.83	19.83
EPS adjusted FD € cent	1.79	9.97	12.90	17.14	24.13
EBITDA € cent	144.48	291.43	342.73	403.74	507.60
EBIT € cent	4.60	143.84	163.68	224.44	335.74
BV € cent	509.43	634.16	723.03	867.54	1,065.79
FCFO € cent	60.01	358.08	197.21	283.54	335.02
FCFF € cent	(46.75)	274.49	43.00	186.44	249.35
FCFE € cent	5.80	247.39	43.00	88.39	135.11
Dividend € cent	0.00	0.00	0.00	0.00	0.00





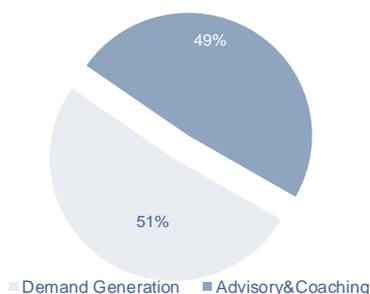
## The company at a glance

DIGITAL360 is a leading Italian B2B player in the digital innovation arena, offering support to firms and public administrations in understanding and implementing digital innovation processes. Established in 2012, the company runs a match-making platform for the demand for and supply of digital innovation. The firm operates two business units: 1) Demand Generation - focusing on tech providers and supporting them in marketing and lead generation activities, through a unique model, based on a *Digital Marketing & Sales Engine* approach; and 2) Advisory&Coaching - aimed at companies and public administrations via a unique business model based on engineered methodologies, data, assets and know-how.

The group has grown significantly in recent years: turnover CAGR<sub>11-20</sub> is 39%, boosted by acquisitions, 9 companies between 2012 and 2019, generating additional sales for total revenues of € 11.2m revenues. In the same period, EBITDA soared from € 0.2m to € 5.0m, 43% CAGR. 2020 revenues totalled € 26.3m, up 4.4% YoY, EBITDA adj. reached € 5.0m, 19.1% margin and net profit adjusted came in at € 1.7m, 6.6% of sales. Net Financial Position reached € 1.4m, 0.3x EBITDA and 0.1x Shareholders' Equity. Currently, 100% of business is generated in Italy. 51% of 2020 sales were generated by the Demand Generation unit, the remainder came from the Advisory & Coaching business unit.

DIGITAL360 was listed on 13<sup>th</sup> June 2017 at € 1.15 per share, corresponding to a market capitalisation of € 17.7m. The offer encompassed a capital increase of € 4.0m on offer to professional and retail investors, with a portion reserved to employees. In addition, a convertible bond of € 2.0m was issued: 5-year duration, 4.5% coupon and € 1.60 strike.

## 2020 revenue breakdown by BU



## 2011-2020 revenues and EBITDA growth



## Shareholder structure

	%	# m
Andrea Rangone	23.7%	3.8
Mariano Corso	12.1%	2.0
Alessandro Giuseppe Perego	12.1%	2.0
Raffaello Balocco	4.8%	0.8
Gabriele Faggioli	4.1%	0.7
Carlo Mochi Sismondi	3.9%	0.6
Other <3.5%	17.0%	2.8
<b>Free Float</b>	<b>22.3%</b>	<b>3.6</b>
<b>Total</b>	<b>100.0%</b>	<b>16.3</b>

Source: Company data

## Peer group absolute performance

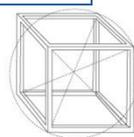
	1D	1W	1M	3M	6M	YTD
Booz Allen Hamilton Holding	(0.4)	(0.4)	2.2	(8.9)	(4.9)	(8.5)
Future PLC	3.7	3.3	(1.7)	9.6	0.9	9.0
Gartner Inc	(0.3)	(1.8)	(1.1)	15.3	46.0	13.1
HubSpot Inc	(4.3)	(6.4)	(15.6)	6.6	54.7	10.5
Infoma PLC	(0.4)	(1.0)	3.3	4.5	58.3	3.6
Relx PLC	0.2	1.9	5.0	1.0	3.1	0.4
ServiceNow Inc	(1.2)	(2.6)	(14.4)	(14.1)	2.6	(14.2)
TechTarget Inc	(4.7)	(13.7)	(17.6)	13.1	70.2	17.0
Wolters Kluwer NV	(0.1)	2.7	12.7	4.7	(1.4)	4.3
<b>Peers median</b>	<b>(0.4)</b>	<b>(1.0)</b>	<b>(1.1)</b>	<b>4.7</b>	<b>3.1</b>	<b>4.3</b>
<b>DIGITAL360 SpA</b>	<b>0.8</b>	<b>(1.6)</b>	<b>(12.4)</b>	<b>41.2</b>	<b>76.5</b>	<b>30.4</b>

Source: Thomson Reuters Eikon

## Peer group multiples table

Price & EV multiples x	Sales FY1	Sales FY2	Sales FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3	PER FY1	PER FY2	PER FY3
Booz Allen Hamilton Holding Corp	1.60	1.49	1.41	15.0	14.2	13.3	21.3	20.4	18.9
Future PLC	4.54	3.55	3.27	15.3	11.3	10.2	20.4	16.5	15.0
Gartner Inc	4.01	3.47	3.12	22.9	19.6	17.4	43.8	35.3	30.5
HubSpot Inc	16.80	13.17	10.68	n.s.	n.s.	70.0	260.2	178.3	126.3
Infoma PLC	6.31	5.12	4.13	30.8	17.5	12.6	64.9	25.8	16.7
Relx PLC	5.57	5.12	4.88	15.3	13.8	12.8	20.9	18.5	17.4
ServiceNow Inc	15.80	12.36	9.66	52.5	40.7	30.1	84.6	64.5	49.4
TechTarget Inc	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	46.1	31.4	29.6
Wolters Kluwer NV	4.61	4.42	4.27	15.3	14.5	13.4	23.6	22.3	20.9
<b>Median</b>	<b>5.09</b>	<b>4.77</b>	<b>4.20</b>	<b>15.3</b>	<b>14.5</b>	<b>13.4</b>	<b>43.8</b>	<b>25.8</b>	<b>20.9</b>
<b>DIGITAL360 SpA</b>	<b>1.24</b>	<b>1.02</b>	<b>0.82</b>	<b>7.1</b>	<b>5.5</b>	<b>3.9</b>	<b>18.5</b>	<b>13.9</b>	<b>9.9</b>
Premium/(discount) to median	(75.6)	(78.6)	(80.6)	(53.8)	(62.0)	(70.9)	(57.7)	(45.9)	(52.7)

Source: CFO Sim, Thomson Reuters Eikon



## 1. DIGITAL360 in a nutshell

Headquartered in Milan, **DIGITAL360 is a leading Italian B2B player in the digital innovation arena**, offering support to firms and public administrations in understanding and implementing digital innovation processes. Established in 2012, the company **runs a match-making platform for digital innovation demand** (firms and public administrations, potential buyers of digital innovations, over 4.0m actors) **and offer** (more than 90,000 technology providers such as IT vendors, system integrators, start-ups, etc.). The firm originates from its founding members' (i.e. professors and researchers from the Politecnico di Milano) combined experience - in digital innovation research and advisory. The firm operates two BUs:

- **Demand Generation** – focuses on tech providers, supporting them in marketing and lead generation activities, through a unique model, based on a *Digital Marketing & Sales Engine* approach. **The strategy is increasingly moving towards the offer of recurrent “As-A-Service” solutions**, based on DIGITAL360's properties and assets or on customer assets (i.e. corporate portals, Websites). In this way, DIGITAL360 aims to become a **value-added partner** for its customers' marketing and lead generation activities.
- **Advisory&Coaching** – is aimed at companies and public administrations via a unique business model based on **engineered methodologies, data, assets and know-how**. DIGITAL360 offers 2 types of services: Custom projects and Engineered services.

Chart 1 – DIGITAL360, 2020 – 2019 revenue breakdown by BU



Source: Company data

The group has grown significantly in recent years: **turnover CAGR<sub>11-20</sub> is 39%**, **boosted by acquisitions, 9 companies in rapid succession between 2012 and 2019**, generating additional sales for total revenues of € 11.2m revenues. In the same period, **EBITDA soared from € 0.2m to € 5.0m, 33% CAGR**.

In 2020, revenues totalled € 26.3m, up 4.4% YoY, EBITDA adj. reached € 5.0m, 19.1% margin and net profit adjusted came in at € 1.7m, 6.6% of sales. Net Financial Position reached € 1.4m, 0.3x EBITDA and 0.1x Shareholders' Equity.

**Currently, 100% of business is generated in Italy.** 51% of 2020 sales were generated by the Demand Generation unit, the remainder came from the Advisory & Coaching business unit.

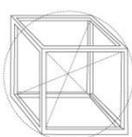
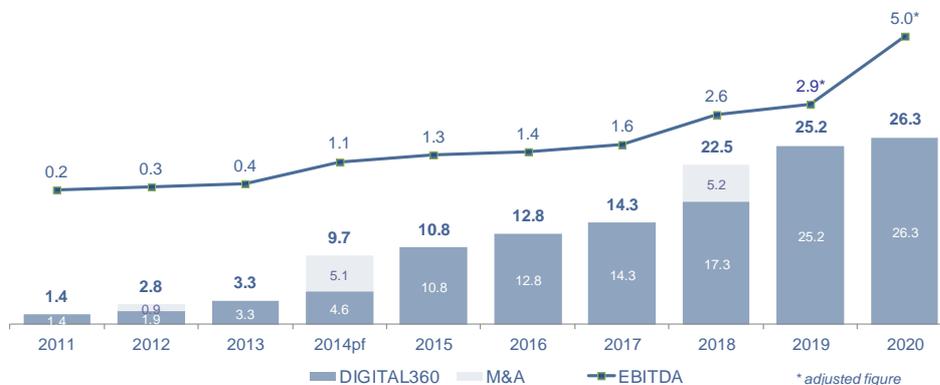


Chart 2 – DIGITAL360, 2011 – 2020 revenues and EBITDA growth (€ m)



Source: Company data

Following the M&A activity, the scope of consolidation includes the holding company DIGITAL360, ICT&S, FPA, P4i, IQ Consulting and ServicePro. In addition, **DIGITAL360 holds equity investments in eleven company most of them are start-ups.**

## 2. The DIGITAL360 listing

DIGITAL360 was listed last 13<sup>th</sup> June 2017 at € 1.15 per share, corresponding to a market capitalisation of € 17.7m.

The offer encompassed **a capital increase of € 4.0m** on offer to professional and retail investors, with a portion reserved to employees (with a 20% discount on the offer price). In addition, a **convertible bond of € 2.0m** was issued: 5-year duration, 4.5% coupon and € 1.60 strike price. Moreover, a 520k share green-shoe (or over-allotment) option was granted.

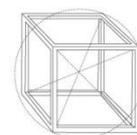
DIGITAL360 major shareholders are Andrea Rangone with a 23.7% stake, Mariano Corso and Alessandro Perego with a 12.1% interest each and other professionals with relevant experience in digital transformation. The free float is 25.8%.

The following table and chart show the shareholder structure of DIGITAL360 before and after the convertible bond conversion.

Table 1 – DIGITAL360, current shareholder structure

	Issued Number of Shares		Fully Diluted Number of Shares	
	%	# m	%	# m
Andrea Rangone	23.8%	3.886	22.0%	3.850
Mariano Corso	11.8%	1.921	11.7%	2.050
Alessandro Giuseppe Perego	11.6%	1.895	11.6%	2.024
Raffaello Balocco	4.8%	0.785	4.8%	0.832
Gabriele Faggioli	4.1%	0.662	3.9%	0.692
Carlo Mochi Sismondi	3.0%	0.497	2.8%	0.497
Other <3.5%	15.0%	2.451	14.4%	2.521
<b>Free Float o/w</b>	<b>25.8%</b>	<b>4.212</b>	<b>28.8%</b>	<b>5.042</b>
Convertible bond new shares	-	-	4.5%	0.794
<b>Total</b>	<b>100.0%</b>	<b>16.309</b>	<b>100.0%</b>	<b>17.508</b>

Source: CFO Sim elaboration on Company data



### 3.1. The reference market: the Demand Generation division

According to the Assoinform report "Il Digitale in Italia 2020", **in 2020, the Italian digital economy is expected to decline by 2.0% to € 70.5bn**, whilst showing strong resilience in a year impacted by the COVID-19 global pandemic. Furthermore, the market is expected to grow at a **3.6% CAGR<sub>20-22</sub> reaching € 75.4bn in 2022**. In spite of a temporary decrease in 2020, the market is characterised by steady single-digit growth and a permanent information asymmetry between demand and offer of digital innovation.

The digital economy market comprises devices & systems, software & ICT solutions, ICT services, network services and content & digital advertising. The most promising segments are Internet of Things, Cyber Security, Cloud, Big Data and Analytic Solutions, that is to say the catalysts of the digital economy. These niches grew fast last year, within the digital innovation and digital economy markets. Just to mention some examples, in 2020 the IoT market was valued at some € 3.6bn, +3.5% YoY, the Cloud market was worth € 3.3bn, +16.0% YoY, the Big Data market was up to some € 1.2bn, +8.7% YoY, and cybersecurity accounted for € 1.2bn, +9.0% YoY. **The reference market is a growing arena with expected further acceleration** in coming years, also considering that the gap between the domestic market and the rest of the world can be closed thanks to the huge resources stemming from the **Next Generation EU** recovery plan. In particular, almost **€ 50bn will be dedicated to the digital transformation of businesses and public administrations**.

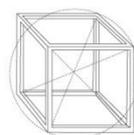
In this context, **DIGITAL360 offers firms and PAs willing to introduce digital innovation a clear view of what to do and a way to find appropriate providers**. Additionally, **DIGITAL360 helps digital innovation suppliers** (IT vendors, system integrators, software houses, startups, etc.) **to meet new customers**.

### 3.2. The reference market: the Advisory&Coaching division

**In 2020, the Italian Advisory and Management Consulting market decreased by 8.9% to € 4.4bn** because of the COVID-19 emergency (vs. 7.8% and 8.6% increase in 2019-18, respectively). The multiple consulting areas accounted for as follow: Information Technology for 22.2% of total, Strategy for 16.5%, Operations for 13.8%, Risk & Compliance for 13.2%, Finance for 13.5%, Human Resources & Change Management for 7.9%, Marketing for 6.6% and Education for 4.6% (source: assoconsult 2020). **Digital transformation consultancy is the specific reference market for DIGITAL360** and includes several of the aforementioned consulting areas, namely IT, Operations, Strategy, Finance, Marketing, etc. Furthermore, two main drivers of growth are:

- **Companies' growing awareness** of the potentially disruptive impact of digital innovation trends such as Smart Working, Big Data, Artificial Intelligence, Digital Marketing, Omnichannel customer experience, Industry 4.0 and Cyber Security.
- **Requirement to comply with regulations**, such as GDPR (General Data Protection Regulation) and PSD2 (Payment Services Directive), emerging at a national and international level.

The COVID-19 pandemic accelerated the demand for digital transformation, increasing the share of consulting expenses dedicated to digitalisation both by large companies and SMEs, which in the past did not have the vision and opportunity to access management consulting services. In order to meet this emerging demand, however, advisory companies will have to move from traditional, people-based models to knowledge asset-based logics, where the supplier's ideas, frameworks, templates and tools are as compressed as possible and transferred by technological means. This allows to address a new and potentially large and fast-growing market with new innovative services. Advisory models, such as those offered by DIGITAL360, based on engineered methodologies, allow access to a value-added service even for few thousand euros. **The potential market component of online advisory services can be estimated at some additional € 750m** (CFO estimate).



## 4. Business model

DIGITAL360 offers support to firms and public administrations in understanding and implementing digital innovation processes, by running **a match-making platform for the demand for and supply of digital innovation**. The firm operates two BUs:

- **Demand Generation:** focuses on tech providers and supports them in marketing and lead generation activities, through a unique model, based on *Digital Marketing & Sales Engine* approach. The model integrates publishing and technological assets together with multidisciplinary skills, in order to manage costumers' marketing and lead generation activities.
- **Advisory&Coaching:** is aimed at companies and public administrations via a unique business model based on engineered methodologies, data, assets and know-how. DIGITAL360 offers three types of services: Custom projects, Engineered services and Subscription-based services.

**As of 2018, DIGITAL360 has developed an “As-A-Service” approach in both BUs**, based on the sharing of specialist teams in order to provide customers with services on an ongoing basis, through the support of digital and cloud platforms. This new business model allows the group to increase its percentage of recurring revenues thanks to monthly fees. Furthermore, the group strategically decided to close all its printed newspapers and to solely focus on digital contents.

### 4.1. The Demand Generation division

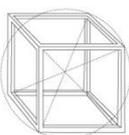
Via the Demand Generation business unit, DIGITAL360 supports tech providers in marketing and lead generation activities. In 2018, the innovative *Digital Marketing & Sales Engine* approach was developed, integrating publishing and technological assets together with multidisciplinary skills, in order to manage client marketing and lead generation activities end-to-end. Thanks to the “Engine”, the strategy of this business area is increasingly **moving towards the offering of recurrent “As-A-Service” solutions**. This way, DIGITAL360 aims to become a **value-added partner** for its clients, providing them with a multidisciplinary team able to operate as an “addendum” to their marketing department. More in detail, the “Engine” allows to:

- **produce seamless communication flow**, based on storytelling, SEO positioning, social amplification and digital PR, using both outbound (DIGITAL360 network) and inbound (clients' web property) content marketing.
- **generate seamlessly profiled contacts and strong sales opportunities**, leveraging Marketing Automation and gated content, such as white papers, reports, infographics, webinars. All this content can be consulted only via registration.

### 4.2. The Advisory&Coaching division

DIGITAL360 offers **advisory and coaching services to a plethora of corporations and public administrations looking for digital innovation**. Thanks to the significant experience gained by key management, the business model here is based on **the development, engineering and enhancement of knowledge methodologies, data and assets** allowing the surpassing of scalability limits and costs of classical consulting models.

These tools cover the main ranges of activity and most vertical areas, i.e. ICT Governance & Organisation, Smart Working & Workspace Innovation, and Information Security. According to the degree of personalisation and depending on the subjects, the customers' specific requests and the level of engineering required, we may classify the projects into three typologies:



- **Customised Projects** are based on the specific needs of clients requiring the development of tailor-made solutions and methodologies. The project opportunity assessment and its pricing are fixed, taking into consideration not only the resources required, but also the know-how arising from developing new custom methodologies.
- **Engineered Projects** are projects characterised by a high degree of standardisation, requiring the application of previously developed tools and methodologies. The pricing is based on relatively standard parameters and takes into account the interest in consolidating, improving or disseminating the methodologies used and any need for specific customization.
- **Subscription-based services (Advisory As-A-Service)**, based on annual or long-term renewable contracts, allowing the group to generate recurring revenues. These are advisory services or innovative tools offered on an ongoing basis to customers, such as Data Protection Officer As-A-Service, GDPR As-A-Service and GRC360, a software solution able to meet the needs of Data Protection.

DIGITAL360's advisory services are organised into several key competence areas: 1) Digital Government; 2) Agile IT Governance; 3) Digital Legal; 4) Cyber Security; 5) Audit & Compliance; 6) Smart Working; 7) Open Innovation; 8) Smart Operations; 9) Digital Marketing.

## 5. The competitive arena

The firm operates in a **largely fragmented market**. The competitive environments of the two business units (Demand Generation and Advisory) differ from one another. More generally, DIGITAL360's distinctive competitive advantages are:

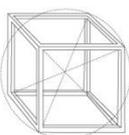
- **Expertise, experience and reputation** in the digital innovation market, coupled with unique competencies and methodologies;
- **Ability to effectively interact digital transformation into B2B** traditional channel communication, events, lead generation and advisory;
- **Track record in the acquisition and integration** of other players in a fragmented fast-growing arena;
- Motivated, experienced, multidisciplinary, skilled **professionals** from a variety of sectors;
- **Scalable business** model, both organically and via acquisitions.

### 5.1 The Demand Generation division

**DIGITAL360 is one of the few domestic players integrating all its three business areas (content, premium services and lead generation) into a single effective business model.**

The group boasts 1) **an integrated positioning on the entire range of services**, which is at the base of the innovative *Digital Marketing & Sales Engine* approach. Thanks also to the integrated platform, the "Engine" allows the production of synergies between different services; 2) **unique editorial capacity and online placement**, thanks to a multidisciplinary team composed of best-in-class journalists specialising in digital innovation, digital economy and entrepreneurship and thanks to a significant network of key opinion leaders and strong links with the university world.

The main competitors in the **Demand Generation Business Unit** can be categorised on the basis of two variables: 1) the prevalent client profiles, that is to say large or smaller digital innovation vendors and 2) the services offered, namely marketing and advertising, events and webinars and lead generation. Accordingly, we highlight the following competitor categories:



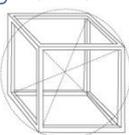
- **Generalist editors**, offering marketing and advertising services to large digital companies for solutions and event organisation. Generally based on a traditional magazine structure, with partial and bolt-on presence in digital innovation and entrepreneurship themes. It is difficult for them to match specific and vertical B2B targets.
- **B2B Vertical publishers**, medium-large sized players, focused on vertical paper magazines for specific professional categories, and the organization of events, however with low propensity to provide digital services.
- **PR and traditional communication agencies**, usually based on not directly managed newspapers and with tiny exposure to digital innovative channels.
- **Organizers of trade fairs and events**, focused on the organisation of physical mono or multi-sponsor events, with a barely scalable business model. They create significant profile contact databases, but with minor ability to use other sources of alternative revenue enabling a proper valuation of this asset;
- **Analysts**, ICT specialised research companies focused on selling reports and organising workshops and events;
- **Tele-marketing and tele-selling agencies**, focused on lead generation activities based on contact centres.
- **Digital marketing agencies**, focused on brand development and lead generation.

## 5.2. The Advisory&Coaching division

**This division's competitive context** can be analysed on the basis of two aspects: the services offered (custom made or engineered-online) and the focus on the size of the corporate clients (small-medium firms and PAs and large corporations and PAs). According to this reading, the key players offering advisory services can be categorised into four types.

- **Traditional strategic consulting players**, generally large international players, focused on custom advisory services for large clients, not offering implementation services. Amongst the most relevant, *BCG, Deloitte, Bain & Company, McKinsey & Company*.
- **Traditional ICT consultants**, combining skills related to client business processes together with technological expertise dedicated to large corporate and public sector markets with custom-type projects. *IBM, Reply, Engineering, Accenture*.
- **Methodology-based actors**, characterised by their already implemented methodology and data-based approach, but featuring a predominant focus on large companies and a wide array of assets stemming from their international business experience. The key weakness is represented by the rather limited customisation approach to adapt to the specific requirements of the Italian market, with the risk of losing effectiveness against the needs of domestic firms. *IDC Consulting, Gartner*.
- **Local advisers and consultants**, rather small local entrepreneurial or professional entities operating in the small business market, but generally not structured and without engineering models and tools.

In this context, some international players are trying to increase their offer, organisational modelling and pricing standardisation, in order to widen their market to medium-sized business and public administration segments. DIGITAL360, thanks to its **engineered more-standardised approach, already reaches medium-sized businesses and PAs**. In the near future, with the introduction of Online Advisory Services, the firm will further strengthen its positioning, extending its offer to the vast market of smaller businesses and PAs.



## 6. Strategy

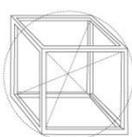
DIGITAL360 operates in the **in the digital innovation market**, the largest generalist market from which every firm and PA entity is either purchasing or will have to purchase in the immediate future. It is **valued at some € 31bn in Italy** and characterised by high-single-digit steady growth and by a permanent information asymmetry. **The digital economy in Italy is growing intensely**: the penetration of ICT in Italy is 50% lower than the EU28 average.

The reference market is huge, growing and fragmented. The DIGITAL360 strategy is based on the following pillars:

- **Focus on the development of “As-A-Service” packaged solutions**, with recurring revenues based on monthly fee, started in 2018 with the launch of the Digital Marketing & Sales Engine and the first Advisory As-A-Service offers, particularly interesting for SMEs.
- **M&A activity**: in 2018, DIGITAL360 acquired 3 companies (Effettodomino, ServicePro and IQConsulting), which have been gradually integrated in 2019. Furthermore, the scouting of innovative small companies and start-ups continues. In the demand generation business possible preys are, for instance, **communities, content factories, digital marketing firms**, whilst for the advisory division ideal additional fields are **data science, cyber security, ICT governance** professionals or teams.
- **Investment in the integrated technology platform**, which comprises the content management system, customer relationship management, marketing automation, business intelligence, graph DB, software events, etc.

DIGITAL360 aims to generate additional business from the vast quantity of smaller and more numerous corporations and public administrations, to **the benefit of volumes and scale** even if with a smaller single ticket.

In addition, possible upsides for the longer term and not factored into our projections, can bring in **supplementary value to DIGITAL360 shareholders**. So far, the group has profiled, some 180,000 contacts in 2020: the **e-commerce of profiled leads could contribute to making contact with new potential customers**.



## 7. SWOT Analysis

The SWOT analysis, also known as SWOT Matrix, is a structured planning method used to evaluate the strengths, weaknesses, opportunities and threats involved in a project or in a business venture. A SWOT analysis can be carried out for a product, place, industry or person. It involves specifying the objective of the business venture or project and identifying the internal and external factors that are favourable and unfavourable to achieve that objective.

- **Strengths:** characteristics of the business or project that give it an advantage over others.
- **Weaknesses:** characteristics that place the business or project at a disadvantage relative to others.
- **Opportunities:** elements that the project could exploit to its advantage.
- **Threats:** elements in the environment that could cause trouble or be detrimental for the business or project.

The technique is credited to Albert Humphrey, who led a research project at Stanford University between the 60s/70s using Fortune 500 data.

### S.W.O.T. ANALYSIS

#### STRENGTHS

- ❑ **Leading position** in a large, growing and fragmented market
- ❑ Substantial cash flow generation and sound balance sheet allow **external growth opportunities**
- ❑ Modest **Capex requirement**

#### WEAKNESSES

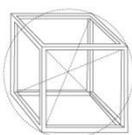
- ❑ Current exposure solely to **domestic market**, heavy dependence on one single country
- ❑ Limited **size** in the international competitive arena
- ❑ Few key relevant people represent a **vital asset** for the company

#### OPPORTUNITIES

- ❑ Consolidation **opportunities** in the domestic market
- ❑ Relevant additional **growth potential stemming from** as-a-service solutions sales
- ❑ Expansion into foreign markets

#### THREATS

- ❑ Expansion via external growth might erode **marginality** to a certain extent
- ❑ **Prolonged** impact of the pandemic



## 8. FY-20 Results

DIGITAL360 released solid FY-20 results, whose preliminary data was announced on February 12<sup>th</sup>. Cash flow generation was remarkably abundant. The COVID-19 pandemic boosted the digital transformation process of Italian companies and public administrations, increasing the demand for digital events, remote selling, smart working, distance learning and e-commerce. In this scenario, DIGITAL360 was able to exploit its competitive positioning and is unquestionably well positioned to benefit from the strong business momentum.

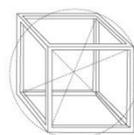
**Table 2 – DIGITAL360, FY-20 results**

€ k	2020	2019	% YoY	2020e	% Diff.
<b>Total revenues</b>	<b>26,344</b>	<b>25,245</b>	<b>4.4</b>	<b>26,478</b>	<b>(0.5)</b>
Increase in finished products	1,306	1,427		1,205	
<b>Value of Production</b>	<b>27,650</b>	<b>26,672</b>	<b>3.7</b>	<b>27,683</b>	<b>(0.1)</b>
Raw material and processing	(24)	(14)		(26)	
Services	(12,860)	(14,220)		(13,769)	
Personnel expenses	(8,299)	(8,617)		(7,750)	
Other opex	(1,364)	(1,290)		(1,059)	
<b>EBITDA</b>	<b>5,102</b>	<b>2,530</b>	<b>101.7</b>	<b>5,078</b>	<b>0.5</b>
% margin	19.4	10.0		19.2	
D&A	(2,584)	(2,449)		(2,716)	
<b>EBIT</b>	<b>2,518</b>	<b>81</b>	<b>nm</b>	<b>2,362</b>	<b>6.6</b>
% margin	9.6	0.3		8.9	
Financials	(82)	(341)		(299)	
Re/(Devaluation) of financial assets	(11)	0		250	
<b>Pre-Tax profit</b>	<b>2,426</b>	<b>(260)</b>	<b>nm</b>	<b>2,313</b>	<b>4.9</b>
% margin	9.2	(1.0)		8.7	
Income taxes	(857)	(183)		(925)	
Tax rate	35.3%	n.m.		40.0%	
Minorities	(497)	(378)		(306)	
<b>Net Profit</b>	<b>1,071</b>	<b>(821)</b>	<b>nm</b>	<b>1,081</b>	<b>(1.0)</b>
% margin	4.1	(3.3)		4.1	
One-off items	(80)	380		0	
<b>EBITDA adj.</b>	<b>5,022</b>	<b>2,910</b>	<b>72.6</b>	<b>5,078</b>	<b>(1.1)</b>
% margin	19.1	11.5		19.2	
Goodwill amortisation	754	754		754	
<b>EBIT adj.</b>	<b>3,193</b>	<b>1,215</b>	<b>162.8</b>	<b>3,116</b>	<b>2.4</b>
% margin	12.1	4.8		11.8	
<b>Net Profit adj.</b>	<b>1,745</b>	<b>313</b>	<b>nm</b>	<b>1,836</b>	<b>(4.9)</b>
% margin	6.6	1.2		6.9	

Source: Company data, CFO SIM estimates

**Total revenues grew**, entirely organically, **by 4.4% YoY to € 26.3m**, thanks to a business acceleration in the second half of the year. The increase was driven by the sales of innovative, scalable and more lucrative products and services in both the Demand Generation and Advisory&Coaching business units, which more than counterbalanced the decrease in revenues stemming from physical events.

- **The Advisory&Coaching** division, supporting companies and P.A. in their digital transformation path, was **up 12.2% YoY**; The Advisory & Coaching As-A-Service unit generated 123 subscriptions in 2020 (mainly DPOaaS) vs. 46 in 2019, corresponding to € 2.5m annual recurring revenues.
- **The Demand Generation** division, offering communication, content marketing, events and lead generation services to technology companies and suppliers of digital innovation, was **down 2.0% YoY**; in 2020, the division sold 90 (+34% vs. 64 in 2019) digital marketing & sales engines, stemming from the new innovative As-A-Service approach, for a total € 3.9m annual recurring revenues (average price of approximately € 45k).



**EBITDA totalled € 5.1m, more than doubling** compared to € 2.5m in FY-19. Adjusted EBITDA increased 73% to 5.0m. Profitability improvement was achieved thanks to:

- 1) **the acceleration of digital/remote services**, prompting a 5% reduction in production costs, due to greater efficiency and scalability, with a significant reduction in costs for services, down 10% YoY by € 1.4m to € 12.9m;
- 2) **the increase in subscription services called ‘Digital-As-A-Service’**, which generate recurring revenues. In 2019, in ‘normal business conditions’, the new offer of subscription services generated important achievements in terms of customer base (113 names), for a contractual value of approximately € 4.3m on an annual basis (Annual Recurrent Revenue). In 2020, the progression continued, reaching 213 customers (+ 88%) and an annual contract value of € 6.4m (+50%)

**EBIT reached € 2.4m, from € 0.1m in 2019**, slightly better than our € 2.3m projection as a result of lower D&A. EBIT adjusted for goodwill amortisation and the aforementioned one-off costs rose to € 3.2m from € 1.2m in 2019. Net Profit was € 1.1m, in line with our estimate.

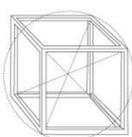
**Net Financial Position dropped to € 1.5m** from € 6.3m in FY-19, thanks to a massive CF generation of € 4.9m stemming from an efficient WC management. Free Cash Flow to EBITDA was almost 100%, despite €1.7m capex realised in 2020. The group’s balance-sheet solidity allows it to consider another round of external growth opportunities.

## 9. Estimates, valuation & risks

FY-20 results confirm the preliminary numbers announced last February. The terrific performance was driven by 1) the **investments** made in the last few years aimed at the development of innovative and scalable subscription services (Digital As-A-Service) which generate recurring revenues; and 2) a wider range of services offered **to support the digital transformation** of companies and public administrations.

Following the FY-20 results release, **CFO SIM has left its model unchanged**, significantly upgraded at the time of the preliminary figure release. We updated our valuation criteria, bringing the free risk rate up-to-date and postponed our first valuation projection by one year. We also introduced estimates for 2023. As a result, **we upgraded our PT to € 4.00/s** from € 3.10. It is based on DCF and multiple comparison, 70-30% weighted in order to mitigate the underlying massive volatility amongst peers which might penalise the assessment of DIGITAL360.

**We reiterate our Buy rating on the stock, 66.7% upside to current price levels.** Business momentum, as well as earnings momentum, remains strong. The group’s solid balance-sheet allows it to consider another round of external growth opportunities, adding further appeal to the stock, on the back of its favourable track record.



## 9.1. Market multiples

We conducted an analysis on a cluster of 9 foreign companies operating in the digital and advisory arena. Size, profitability and growth rates vary a lot within the sample.

In this case, the equation 'the larger the size, the lower the margins' is not true: the highest EBITDA margins come from Relx PLC (36.4%), ServiceNow Inc. (30.1%) and TechTarget (33.5%), with a market capitalization of € 40.5bn, € 78.4bn and € 1.6bn, respectively. **DIGITAL360 presents lower than average profitability but higher growth potential compared to the peer median.**

**Booz Allen Hamilton Holding Corp** provides management and technology consulting services to the US government in the defence, intelligence, and civil markets. The company offers economic and business analysis, information technology, intelligence and operations analysis, modelling and simulation, organisation, and other consulting services.

**Future PLC** is a special interest media company with locations in the United States, United Kingdom and Australia. The company produces special interest magazines, websites, and events, with portfolios in the computing, games, music, automotive, sports, crafts, and leisure sectors.

**Gartner Inc.** provides research and analysis on the computer hardware, software, communications, and related information technology industries. The company's business segments include research, consulting, measurement, events, and executive programs.

**HubSpot Inc.** provides a cloud-based marketing and sales software platform. The company offers integrated applications that help in lead generation and social marketing.

**Informa PLC** provides business intelligence and academic publishing services. The company offers information in the finance and insurance, maritime transport, trade, law and tax, telecommunication, media, commodity, energy, and biomedical and pharmaceutical markets. Informa provides its information through newspapers, magazines, electronic media, books, and journals.

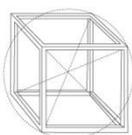
**Relx PLC** is a global provider of information and analytics for professional and business customers across industries. The group serves customers in more than 180 countries and has offices in about 40 countries.

**ServiceNow Inc.** provides enterprise information technology (IT) management software. The company designs, develops, and produces pre-packaged computer software, cloud services, and an IT service management platform. ServiceNow serves customers throughout the United States.

**TechTarget Inc.** operates a portfolio of industry-specific portals. The company focuses on portals that deliver resources to information technology professionals within specific vertical market segments.

**Wolters Kluwer NV** is a global information services and solutions provider. The company provides its services to professionals in the health, tax and accounting, risk and compliance, finance, and legal sectors.

By applying the 35% discounted median peer EV/EBITDA multiples to the DIGITAL360 metrics we attain an **equity valuation of DIGITAL360 of € 3.60/s** (€ 3.00), realised using 2021 and 2022 estimates and multiples, with a 50.0% upside to current prices.



**Table 3 – DIGITAL360, peer group summary table**

€ m	Mkt Cap	Sales FY1	EBITDA FY1	EBITDA %	Sales CAGR <sub>20-23</sub>	EBITDA CAGR <sub>20-23</sub>	EBIT CAGR <sub>20-23</sub>	EPS CAGR <sub>21-23</sub>	NFP FY1	NFP/EBITDA FY1
Booz Allen Hamilton Holding Corp	9,295	6,501	691	10.6%	2.6%	4.2%	4.7%	6.2%	1,081	1.6
Future PLC	2,659	643	190	29.6%	28.6%	33.2%	45.5%	16.7%	257	1.3
Gartner Inc	13,603	3,640	637	17.5%	11.0%	12.0%	14.6%	19.8%	1,007	1.6
HubSpot Inc	17,183	980	121	12.3%	27.5%	-393.0%	-260.0%	43.5%	(717)	n.m.
Informa PLC	9,956	1,921	393	20.5%	-6.6%	-8.5%	2.2%	97.2%	2,168	5.5
Relx PLC	40,481	8,571	3,122	36.4%	6.6%	9.6%	16.2%	9.6%	7,274	2.3
ServiceNow Inc	78,414	4,812	1,448	30.1%	26.2%	75.9%	128.6%	30.8%	(2,373)	n.m.
TechTarget Inc	1,647	195	65	33.5%	25.2%	52.6%	58.9%	24.8%	n.a.	n.a.
Wolters Kluwer NV	19,322	4,627	1,395	30.1%	2.5%	2.3%	5.2%	6.3%	2,028	1.5
<b>Median</b>	<b>13,603</b>	<b>3,640</b>	<b>637</b>	<b>29.6%</b>	<b>11.0%</b>	<b>9.6%</b>	<b>14.6%</b>	<b>19.8%</b>	<b>1,044</b>	<b>1.6</b>
<b>DIGITAL360 SpA</b>	<b>42</b>	<b>34</b>	<b>6</b>	<b>17.5%</b>	<b>17.1%</b>	<b>20.3%</b>	<b>27.6%</b>	<b>36.8%</b>	<b>1</b>	<b>0.1</b>

Source: CFO Sim, Thomson Reuters Eikon

**Table 4 – DIGITAL360, peer group EV & price multiple table**

x	Sales FY1	Sales FY2	Sales FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3	PER FY1	PER FY2	PER FY3
Booz Allen Hamilton Holding Corp	1.60	1.49	1.41	15.0	14.2	13.3	21.3	20.4	18.9
Future PLC	4.54	3.55	3.27	15.3	11.3	10.2	20.4	16.5	15.0
Gartner Inc	4.01	3.47	3.12	22.9	19.6	17.4	43.8	35.3	30.5
HubSpot Inc	16.80	13.17	10.68	n.s.	n.s.	70.0	260.2	178.3	126.3
Informa PLC	6.31	5.12	4.13	30.8	17.5	12.6	64.9	25.8	16.7
Relx PLC	5.57	5.12	4.88	15.3	13.8	12.8	20.9	18.5	17.4
ServiceNow Inc	15.80	12.36	9.66	52.5	40.7	30.1	84.6	64.5	49.4
TechTarget Inc	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	46.1	31.4	29.6
Wolters Kluwer NV	4.61	4.42	4.27	15.3	14.5	13.4	23.6	22.3	20.9
<b>Median</b>	<b>5.09</b>	<b>4.77</b>	<b>4.20</b>	<b>15.3</b>	<b>14.5</b>	<b>13.4</b>	<b>43.8</b>	<b>25.8</b>	<b>20.9</b>
<b>DIGITAL360 SpA</b>	<b>1.24</b>	<b>1.02</b>	<b>0.82</b>	<b>7.1</b>	<b>5.5</b>	<b>3.9</b>	<b>18.5</b>	<b>13.9</b>	<b>9.9</b>
Premium/(discount) to median	(75.6)	(78.6)	(80.6)	(53.8)	(62.0)	(70.9)	(57.7)	(45.9)	(52.7)

Source: CFO Sim, Thomson Reuters Eikon

**Table 5 – DIGITAL360, equity value assessment 1#2**

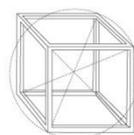
x	Sales FY1	Sales FY2	Sales FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3	PER FY1	PER FY2	PER FY3
<b>Median peers</b>	<b>5.09</b>	<b>4.77</b>	<b>4.20</b>	<b>15.3</b>	<b>14.5</b>	<b>13.4</b>	<b>43.8</b>	<b>25.8</b>	<b>20.9</b>
DIGITAL360 metrics	34,212	38,211	42,305	6,001	7,069	8,887	2,259	3,001	4,225
NFP	616	(2,932)	(7,297)	616	(2,932)	(7,297)			
Put & call adjustments	1,683	1,683	1,683	1,683	1,683	1,683			
<b>DIGITAL360 Equity Value (€ k)</b>	<b>110,956</b>	<b>119,641</b>	<b>121,206</b>	<b>57,431</b>	<b>67,733</b>	<b>82,817</b>	<b>64,301</b>	<b>50,230</b>	<b>57,450</b>
# shares FD m	17.5	17.5	17.5	17.5	17.5	17.5	17.5	17.5	17.5
<b>DIGITAL360 Equity Value FD €/s</b>	<b>6.35</b>	<b>6.85</b>	<b>6.93</b>	<b>3.29</b>	<b>3.88</b>	<b>4.74</b>	<b>3.68</b>	<b>2.87</b>	<b>3.29</b>

Source: CFO Sim, Thomson Reuters Eikon

**Table 6 – DIGITAL360, equity value assessment 2#2**

x	FY1	FY2	FY3
Equity Value (EV/EBITDA, € k)	57,431	67,733	82,817
€ / share FD	3.29	3.88	4.74
Average FY1-FY2	3.60		
% upside/(downside)	50.0%		

Source: CFO Sim, Thomson Reuters Eikon



## 9.2. DCF

In the valuation via the DCF method explicit estimates until 2025 and a long-term growth of 2.5% were used. Cash flows were discounted back at a weighted average cost of capital calculated according to the following parameters:

**Table 7 - WACC derived from:**

Interest costs, pre-tax	2.5%
Tax rate	40.0%
<b>Inf. costs, after taxes</b>	<b>1.5%</b>
Risk premium, incl. small size premium	9.0%
Risk-free (10Y Gov. Bond 200 days simple moving average)	0.86%
Beta levered (x)	0.98
<b>Required ROE</b>	<b>9.7%</b>

Source: CFO Sim

**Table 8 - DIGITAL360, DCF model**

€ k	2021e	2022e	2023e	2024e	2025e	Term. Val.
EBIT	2,866	3,930	5,878	7,054	7,759	
Tax rate	40.0%	40.0%	40.0%	40.0%	40.0%	
<b>Operating profit (NOPAT)</b>	<b>1,719</b>	<b>2,358</b>	<b>3,527</b>	<b>4,232</b>	<b>4,656</b>	
Change working capital	(2,361)	(1,086)	(1,200)	(500)	(500)	
Depreciation	3,135	3,139	3,009	2,254	1,500	
Investments	(2,700)	(1,700)	(1,500)	(1,500)	(1,500)	
<b>Free Cash Flows</b>	<b>(207)</b>	<b>2,711</b>	<b>3,836</b>	<b>4,487</b>	<b>4,156</b>	<b>90,128</b>
Present value	(196)	2,396	3,162	3,449	2,980	64,622
WACC	7.2%	7.2%	7.2%	7.2%	7.2%	
<b>Long-term growth rate</b>	<b>2.5%</b>					

Source: CFO Sim

The balance-sheet structure adopted for the WACC calculation is based on an optimal financial leverage 70-30 equity-debt.

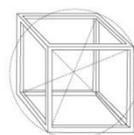
**Table 9 – DIGITAL360, DCF derived from:**

€ k	
Total EV present value € k	76,414
	<i>thereof terminal value</i>
	84.6%
NFP last reported	(1,368)
Put & call	(1,683)
Pension last reported	(1,229)
Equity value € k	<b>72,133</b>
# shares FD m	17.5
<b>Equity value €/s FD</b>	<b>4.10</b>
<i>% upside/(downside)</i>	70.8%

Source: CFO Sim

The application of the model produces an **equity value of DIGITAL360 of € 4.10/s** (€ 3.20).

The following tables illustrate that sensitivity 1) compared to changes in the terminal growth rate produces an equity value of between **€ 3.60 – 4.86 (perpetuity range of between 1.75% and 3.25%)**, while 2), if compared to changes in the free risk rate, it produces an equity value of **€ 3.67 – 4.70 (free risk range of between 0.11% and 1.61%)** and 3), if compared to changes in the risk premium, including small size premium, it results in an equity value of **€ 3.31 – 5.40 (risk premium range of between 7.50% and 10.50%)**.



**Table 10 – DIGITAL360, equity value sensitivity to changes in terminal growth rate**

€ k	1.75%	2.00%	2.25%	2.50%	2.75%	3.00%	3.25%
Present value of CF	11,791	11,791	11,791	11,791	11,791	11,791	11,791
PV of terminal value	55,363	58,154	61,226	64,622	68,398	72,620	77,374
<b>Total value</b>	<b>67,155</b>	<b>69,946</b>	<b>73,017</b>	<b>76,414</b>	<b>80,189</b>	<b>84,412</b>	<b>89,165</b>
NFP last reported	(1,368)	(1,368)	(1,368)	(1,368)	(1,368)	(1,368)	(1,368)
Put & call	(1,683)	(1,683)	(1,683)	(1,683)	(1,683)	(1,683)	(1,683)
Pension last reported	(1,229)	(1,229)	(1,229)	(1,229)	(1,229)	(1,229)	(1,229)
<b>Equity value € k</b>	<b>62,874</b>	<b>65,665</b>	<b>68,736</b>	<b>72,133</b>	<b>75,908</b>	<b>80,131</b>	<b>84,884</b>
# shares FD m	17.5	17.5	17.5	17.5	17.5	17.5	17.5
<b>Equity value €/s FD</b>	<b>3.60</b>	<b>3.76</b>	<b>3.93</b>	<b>4.10</b>	<b>4.34</b>	<b>4.58</b>	<b>4.86</b>

Source: CFO Sim

**Table 11 – DIGITAL360, equity value sensitivity to changes in free risk rate**

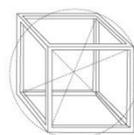
€ k	0.11%	0.36%	0.61%	0.86%	1.11%	1.36%	1.61%
Present value of CF	11,990	11,923	11,857	11,791	11,726	11,662	11,598
PV of terminal value	74,419	70,887	67,632	64,622	61,832	59,239	56,822
<b>Total value</b>	<b>86,409</b>	<b>82,810</b>	<b>79,489</b>	<b>76,414</b>	<b>73,558</b>	<b>70,900</b>	<b>68,420</b>
NFP last reported	(1,368)	(1,368)	(1,368)	(1,368)	(1,368)	(1,368)	(1,368)
Put & call	(1,683)	(1,683)	(1,683)	(1,683)	(1,683)	(1,683)	(1,683)
Pension last reported	(1,229)	(1,229)	(1,229)	(1,229)	(1,229)	(1,229)	(1,229)
<b>Equity value € k</b>	<b>82,128</b>	<b>78,529</b>	<b>75,208</b>	<b>72,133</b>	<b>69,277</b>	<b>66,619</b>	<b>64,139</b>
# shares FD m	17.5	17.5	17.5	17.5	17.5	17.5	17.5
<b>Equity value €/s FD</b>	<b>4.70</b>	<b>4.49</b>	<b>4.30</b>	<b>4.10</b>	<b>3.96</b>	<b>3.81</b>	<b>3.67</b>

Source: CFO Sim

**Table 12 – DIGITAL360, equity value sensitivity to changes in risk premium**

€ k	7.50%	8.00%	8.50%	9.00%	9.50%	10.00%	10.50%
Present value of CF	12,185	12,051	11,920	11,791	11,664	11,539	11,416
PV of terminal value	86,496	77,944	70,752	64,622	59,339	54,741	50,705
<b>Total value</b>	<b>98,680</b>	<b>89,996</b>	<b>82,672</b>	<b>76,414</b>	<b>71,003</b>	<b>66,280</b>	<b>62,121</b>
NFP last reported	(1,368)	(1,368)	(1,368)	(1,368)	(1,368)	(1,368)	(1,368)
Put & call	(1,683)	(1,683)	(1,683)	(1,683)	(1,683)	(1,683)	(1,683)
Pension last reported	(1,229)	(1,229)	(1,229)	(1,229)	(1,229)	(1,229)	(1,229)
<b>Equity value € k</b>	<b>94,399</b>	<b>85,715</b>	<b>78,391</b>	<b>72,133</b>	<b>66,722</b>	<b>61,999</b>	<b>57,840</b>
Equity value €/s FD	17.5	17.5	17.5	17.5	17.5	17.5	17.5
<b>Source: CFO Sim</b>	<b>5.40</b>	<b>4.90</b>	<b>4.49</b>	<b>4.10</b>	<b>3.82</b>	<b>3.55</b>	<b>3.31</b>

Source: CFO Sim



### 9.3. Peer stocks performance

DIGITAL360 was listed on the AIM Italia (Alternative Investment Market) on 13-Jun-17 at € 1.15/share, corresponding to a post-money market capitalisation of € 17.7m. DIGITAL360 now trades **well above the IPO price**, and reached a 1Y maximum price of € 2.94/s on 16-Feb-21 and a minimum level of € 0.74 on 25-Mar-20. The stock has outperformed its peer group median and the indexes, over the last 3, 6, 12 months and YTD.

**Table 13 – DIGITAL360, peer group absolute performance**

	1D	1W	1M	3M	6M	YTD	1Y
Booz Allen Hamilton Holding Corp	(0.4)	(0.4)	2.2	(8.9)	(4.9)	(8.5)	26.1
Future PLC	3.7	3.3	(1.7)	9.6	0.9	9.0	114.0
Gartner Inc	(0.3)	(1.8)	(1.1)	15.3	46.0	13.1	97.6
HubSpot Inc	(4.3)	(6.4)	(15.6)	6.6	54.7	10.5	238.6
Informa PLC	(0.4)	(1.0)	3.3	4.5	58.3	3.6	33.8
Relx PLC	0.2	1.9	5.0	1.0	3.1	0.4	13.1
ServiceNow Inc	(1.2)	(2.6)	(14.4)	(14.1)	2.6	(14.2)	73.6
TechTarget Inc	(4.7)	(13.7)	(17.6)	13.1	70.2	17.0	253.9
Wolters Kluwer NV	(0.1)	2.7	12.7	4.7	(1.4)	4.3	26.8
<b>Peers median</b>	<b>(0.4)</b>	<b>(1.0)</b>	<b>(1.1)</b>	<b>4.7</b>	<b>3.1</b>	<b>4.3</b>	<b>73.6</b>
<b>Digital360 SpA</b>	<b>0.8</b>	<b>(1.6)</b>	<b>(12.4)</b>	<b>41.2</b>	<b>76.5</b>	<b>30.4</b>	<b>224.3</b>

Source: Thomson Reuters Eikon

**Table 14 – DIGITAL360 relative performances**

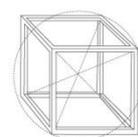
	1D	1W	1M	3M	6M	YTD	1Y
To Peers median	1.2	(0.6)	(11.3)	36.5	73.4	26.2	150.7
To MSCI World Index	1.6	0.5	(11.2)	36.8	56.4	27.6	165.5
To EUROSTOXX	0.8	(1.2)	(15.4)	34.0	55.8	23.8	180.3
To FTSE Italia All Share	0.5	(1.4)	(17.3)	31.7	49.5	21.5	181.1
To FTSE STAR Italia	0.8	(1.7)	(16.9)	31.6	52.2	21.8	154.9
To FTSE AIM Italia	0.4	(4.0)	(17.1)	24.4	49.5	14.6	191.7

Source: Thomson Reuters Eikon

### 9.4. Risks

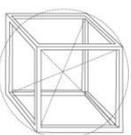
The principal investment **risks** associated with DIGITAL360 include:

- Risks linked to the algorithm used by search engines;
- Risks related to personal data collection, holding and processing;
- Risks due to ICT malfunctions;
- Risks connected to significant technological evolution;
- Risks due to weighty competition in the reference market;
- Impact on P&L account and balance sheet profiles triggered by a sharp decline in local and global economic growth;
- Dilution on profitability stemming from the acquisition campaign;
- Departure of key people





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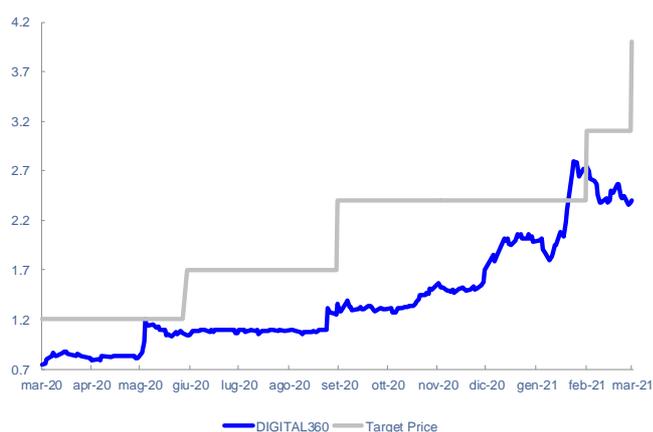
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DATE	TARGET PRICE	RATING
25/03/2021	€4.00	BUY
12/02/2021	€3.10	BUY
23/09/2020	€2.40	BUY
22/06/2020	€1.70	BUY
29/04/2020	€1.20	BUY
23/10/2019	€1.20	BUY

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- a **SELL** rating is assigned if the target price is at least 15% lower than the market price;
- a **NEUTRAL** rating is assigned if the difference between the current price and target price lies within the +/-15% bands identified using the preceding criteria.

The rating is determined on the basis of the **expected absolute return 12 months forward** and not on the basis of the estimated out/underperformance relative to a market index. Thus, the rating can be directly linked with the estimated percentage difference between current price and target price. The prices of the financial securities mentioned in the report (also used for the calculation of market capitalisation and market multiples) are the reference prices of the stock market trading day preceding the publication date of the report, otherwise stated.

